



Minutes
City Council's Finance, Economy &
Veterans' Affairs Committee
October 17, 2006

Minutes of the City Council's Finance, Economy & Veterans' Affairs Committee held on Tuesday, October 17, 2006, 3:00 p.m., in the 3rd Floor Conference Room, Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Committee Members Present:

Vice Mayor Hut Hutson, Chair
Councilmember Mark Mitchell

City Staff Present:

Chris Anaradian, Development Svcs Mgr
Brenda Buren, Police Dept., Bureau Manager
Neil Calfee, Deputy Community Dev Mgr
Tom Duensing, Deputy Financial Svcs Mgr
Kathy Gasperich, Council Aide
Jerry Hart, Financial Svcs Mgr
Valerie Hernandez, Human Resources Mgr
Glenn Kephart, Public Works Manager
Mark Richwine, Parks and Rec Mgr
Cecilia Robles, Deputy Financial Svcs Mgr
Nancy Ryan, Rio Salado Manager
Chris Salomone, Community Dev Mgr
Julie Stenner, Executive Asst
Jay Taylor, Public Works Fleet Analyst

Guests Present:

None

Vice Mayor Hutson called the meeting to order at 3:05 p.m.

Agenda Item 1 – Public Appearances

None.

Agenda Item 2 – Finalize Committee Work Plan

Jerry Hart stated that the Finance, Economy and Veterans' Affairs Committee Work Plan will be presented to the City Council at the Issue Review Session on October 19th.

Councilmember Mark Mitchell requested the following addition to the work plan under Economic Goal 9 - Ongoing:

- “Continue to work with GPEC, ASU Technopolis and the private sector to create and promote technology opportunities for Tempe.”

Agenda Item 3 – Other Post-employment Benefits (OPEB) 0302-03-03

Staff was directed to look at changes to the current Tempe retiree healthcare plan to help lower the funding obligations. Plan changes were examined for newly hired employees to be implemented in the short term and for current employees and retirees. Staff has recommended changes to the retiree health plan for newly hired employees and developed options to consider which address current employees and retirees.

Newly Hired Employees (hired after 12/31/06)

- Length of Service with City - Change required length of service from 10 years to 20 years.
- Other Employer – Require employees hired after 12/31/06 to drop coverage if, after retirement from the City, beneficiaries are hired by another employer who provides a health insurance plan (City would provide secondary coverage).
- Retiree Health Bank – Retirees may convert first 300 unused medical leave hours at 100% into a retiree health bank. Any excess over 300 hours may be converted at 50%.
- Retiree Subsidy – Provide an annual subsidy calculated at \$180/year of eligible service capped at 30 years of service.
- Eliminate retiree healthcare coverage at age 65, and allow beneficiary to continue with City plan with no subsidy.

Current Employees and Retirees

Based on the alternatives listed below, staff is seeking comments from the committee regarding possible changes to the plan for future discussion and analysis.

- Set up an Irrevocable Retiree Health Plan Trust – This has the affect of lowering Annual Required Contributions (ARC). Assets set aside in a trust cannot be used for purposes other than retiree health care costs.
- Changes to the Plan (can be examined separately for retirees & current employees)
 - Eliminate the benefit
 - Eliminate the benefit at age 65
 - Eliminate the prescription drug benefit
 - Eliminate the prescription drug benefit at age 65
 - Change to a fully insured prescription drug program
 - Require retirees to move to HMO
 - Require retirees to move to HMO Catastrophic Plan at age 65
 - Increase the length of service requirement from 10 Years (can vary based on years of service)
 - Increase dependent contribution rates (can vary based on years of service)
 - Increase retiree contribution amounts (can vary based on years of service)
- Possible changes to shift to a Defined Contribution Plan (can be examined separately for retirees & current employees)
 - Allow retiree to participate in City Health Plan with no subsidy or a flat dollar amount subsidy (difference between cost and any subsidy will be paid by retiree)
- Funding options available to the employee

- Retiree Health Bank (taxability of such contributions has not been examined). Employee may contribute to a retiree health bank through payroll deduction. Upon termination, employee may convert "Leave Payouts" into payments to a Retiree Health Bank.
- Funding options available to the City
 - No funding of the ARC
 - Partial funding of the ARC
 - Full funding of the ARC
 - Dedicate certain portions of revenue increases to fund the ARC
 - Dedicate a portion of excess fund balance at each year end to fund the ARC
 - Immediately implement enterprise fund rate increases (Water/Wastewater, Solid Waste, Golf, Cemetery)
 - Adopt recurring budgets for those non-enterprise funds able to absorb the ARC
- Assign the Health Insurance Committee the responsibility of continually researching health care savings options and report annually to Mayor and Council

In addition, staff recommends the FEVA committee consider the following:

- Take advantage of Segal (our current benefits consultant) to provide consultation regarding recommended changes and to calculate savings from different options outlined by the City.
- Commit to funding the Annual Required Contribution (ARC)
- Commit to establishing an Irrevocable Trust

Vice Mayor Hut Hutson stated that he supports the benefit changes for new employees. Input from employee groups and unions should be taken into consideration before making any benefit changes for current employees. He does not support any changes for the current retirees.

Jerry Hart will set up a meeting with Julie Hietter, Benefits Coordinator, to discuss specific issues and gain feedback from the Employee Health Insurance Committee.

Agenda Item 4 – FY 07/08 Budget Process Update

Cecilia Robles informed the committee on the budget process.

Capital Improvement Projects kickoff meeting was held on October 4th. The CIP calendar was distributed along with instructions to submit forms. All finalized supplemental requests for the CIP are due on November 1st.

The kickoff meeting for the Operating Budget will be on November 7th. A calendar with due dates and a manual will be distributed. Training will also be available if necessary. Only critical requests can be submitted to the General Fund. All General Fund supplemental requests will need approval from Will Manley before they are sent to Council for consideration. Forms for the Operating Base Budget are due on December 12th.

Agenda Item 5 – Miscellaneous Open Items

Glenn Kephart and Jay Taylor gave an update on the City's fuel facilities. Vice Mayor Hut Hutson wanted to know the possibility of employees using City facilities to purchase gas at a discounted rate. Also, since the City is a non-profit organization, he questioned if this can be done on pre-taxed money. Jay Taylor stated that if gas is sold to employees the City may lose

the 18.4 cent per gallon excise tax exemption. Glenn Kephart and Jay Taylor will do further research. A legal opinion will also be required.

Vice Mayor Hut Hutson stated that the Ad-hoc Finance Committee needs to start reviewing the following:

- Procurement Codes
- Prosecutor Fees
- Impact Fees
- Police Dept. – Accident Recovery
- All Other Fees

Agenda Item 6 – Future Agenda Items

5th & Farmer – Review money coming in vs. our reserves and enterprise funds.

Meeting adjourned at 3:50 p.m.

Prepared by: Julie Stennerson
Reviewed by: Connie Krosschell



Connie Krosschell
Acting City Clerk